

**ORIGINAL**



**A FORMAL WRITTEN PUBLIC COMMENTS  
DOCUMENT PRESENTED TO THE :**

**DITAT DEUS**

**Arizona Corporation Commission  
Consumer Services Section  
1200 West Washington  
Phoenix, AZ 85007**

**Re: Docket No. E-01933A-12-0291**

Arizona Corporation Commission  
**DOCKETED**

**MAR 18 2013**

DOCKETED BY

*LM*

Authored by:  
George E. Naanes  
4832 N. Creosote Canyon Dr.  
Tucson, AZ 85749

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January, 2013

Arizona Corporation Commission  
Consumer Services Section  
1200 West Washington  
Phoenix, AZ 85007

Re: Docket No. E-01933A-12-0291

TEP is requesting an average non-fuel base rate increase of 15.7% which is now revised to 9.0% as a "framework for settlement."

We understand the all concepts as stated in the Rate request and feel the rate increase will severally impact the rate paying public as well as have negative effects on growth and jobs in the Tucson Rate area.

We just learned that a "Preliminary Term Sheet" was filed as a "framework for settlement" without any input from the Rate Payers of Citizens of Arizona effected." We strongly object to this action without proper input. We also feel the proposed new rate of about 9% along with additional surcharges is not just and reasonable" which we reject. TEP states they have lost revenues and need to increase the rates in the Public Interest or they cannot provide reliable service to its customers and recover costs due to reduced demand from customer efficiency. Is this a way to reward ratepayers who conserve is to increase their rates? Is this in the Public Interest?"

We are asking the Commissioners to review factual reporting of what TEP is reporting in the press and to Stockholders of the Parent Company UNS. We urge the Commissioners to look at the underlined and bold print of statements made in the press about just how well TEP is doing even though the economy is stagnant. Also note the losses sustained had **nothing to do with the current rate structure and in fact, operations did extremely well.**

We request the Commissioners look at the specific public data concerning TEP operations and review the Tucson economic climate. In the following sections with Rebuttals.

# **UNS Energy Reports Third Quarter 2012 Earnings**

(With Specific comments underlined in **bold**)

## **UNS**

**November 2, 2012**

### **UNS Energy Reports Third Quarter 2012 Earnings, Narrows 2012 Earnings Guidance Range**

UNS Energy's primary subsidiary, Tucson Electric Power Company (TEP), reported net income of \$44.6 million in the third quarter of 2012 compared with \$53.9 million in the third quarter of 2011. TEP's results were negatively affected by: **(i) a 3.6 percent decrease in retail sales volumes due in part to mild weather compared with last year; and (ii) higher depreciation and amortization expense related to an increase in utility infrastructure investments.**

## **TUCSON ELECTRIC POWER**

### **Retail kWh Sales and Revenues**

**TEP's retail kWh sales decreased by 3.6 percent in the third quarter, due in part to a 12.2 percent decline in cooling degree days compared with the third quarter of 2011. The decrease in retail sales volumes led to a 4.0 percent, or \$7.3 million, decrease in TEP's retail margin revenues compared with the third quarter of 2011.**

### **Other Operating Expenses**

TEP's base O&M expense was \$1.2 million lower than the third quarter of 2011. Base O&M excludes costs directly offset by customer surcharges and third-party reimbursements. In the third quarter of 2012, **depreciation and amortization expense increased by \$2.3 million as a result of additional plant-in-service compared with the same period last year.**

### **Other Factors**

TEP's third quarter 2012 results include **an after-tax loss of approximately \$1.1 million related to an unplanned outage at Springerville Unit 3, a power plant that TEP operates on behalf of another company. Results in the third quarter of 2011 include an after-tax gain of approximately \$4.5 million related to the settlement of a transmission dispute.**

### **Year-to-Date Results**

In the first nine months of 2012, TEP reported net income of \$65.0 million compared with net income of \$83.8 million in the same period last year. **That decrease was due to: lower retail and long-term wholesale margin revenues; higher depreciation and amortization expense; a loss recorded in the first nine months of 2012 related to the operation of Springville Unit 3, described above; and the gain recorded in the first nine months of 2011 related to the settlement of a dispute, described above.**

**TUCSON, Ariz.--(BUSINESS WIRE)--** UNS Energy Corporation (NYSE: UNS) today reported third quarter 2012 net income of \$50.7 million, or \$1.21 per diluted share of common stock, compared with net income of \$59.7 million, or \$1.46 per diluted share in the same period last year.

TEP reported net income of \$44.6 million for the third quarter of 2012, 17 percent below net income of \$53.9 million in the third quarter of 2011.

**"Although earnings continue to be pressured by TEP's retail rate freeze, our operating performance remains strong. We expect to hold full year operating and maintenance expenses at the same level as 2009 while maintaining a high level of reliability and safety," said Paul Bonavia, UNS Energy's Chairman and Chief Executive Officer. "Our power plants ran exceptionally well this summer and our safety record to date is outstanding."**

A 2008 settlement agreement approved by the Arizona Corporation Commission (ACC) will keep TEP's non-fuel base retail rates unchanged until TEP's pending rate request is finalized and approved in 2013. **During this rate freeze period, TEP's retail sales volumes have remained virtually unchanged due to general economic conditions and energy efficiency requirements passed by the ACC. In order to partially mitigate the effect of stagnant energy demand on UNS Energy's financial performance, the company successfully aligned operating expenses (NOTE SUCCESSFULLY)**

**COMMENTS MADE AT A 2012 THIRD  
QUARTER SHAREHOLDERS  
MEETING AT UNC**

**FOLLOWING ARE COMMENTS MADE AT A 2012 THIRD  
QUARTER SHAREHOLDERS MEETING AT UNC.**

**Paul Bonavia** - Chairman and CEO

Mr. Boniva commented briefly on the economy in Tucson stating:

**" TEP's unemployment rate or Tucson's rate for August was about 7.6%  
down slightly from 7.8% at the end of last year. The economists at the  
University of Arizona believe Arizona's economic recovery will continue to  
be slow through next year. A long-term outlook though is still bright,  
Arizona is expected to rank among the fastest growing states as migration  
flows resume and improve with national economic growth.**

**Active inventories in Tucson's housing market in September 2012 were  
26% below 2011 same month, and the months of the inventory declined  
from 4.8 to 4.2. Median prices sold homes increased by 25%, so all signs of  
some building strength in the housing market."**

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**OUR REBUTTAL ANALYSIS**

One must question the statistical facts quoted by Mr. Boniva about Tucson. Current Statistic examples are the current statistics for January 2013

**Tucson Active Listings:** Active listings now stand at 4,449 a slight increase over last month and about 9% less than at this time last year.

**Total Tucson Home Sales Units:** 942, Decreased 1.98% from December of 2011. Decreased 5.23% from last month.

**Total Tucson Homes Under Contract:** 2,022, Increased 6.25% from December of 2011. Decreased 9.61% from last month.

(Source... [www.brendaobrien.com/](http://www.brendaobrien.com/))



## **OUR REBUTTAL ANALYSIS (cont.):**

**The Commission must look at the impact to an area such as Tucson, unlike the Phoenix area and the differing demographics of ratepayers.**

### **Residents with income below the poverty level in 2009:**

Tucson: 29.6%

Whole state: 21.5%

### **Residents with income below 50% of the poverty level in 2009:**

Tucson: 9.6%

Whole state: 7.6%

### **Renting rate in this city among poor and not poor residents:**

Residents below poverty level: 74.7%

Residents above poverty level: 40.7%

*Read more: <http://www.city-data.com/poverty/poverty-Tucson-Arizona.html#ixzz2lpSc4pAr>*

### **As foreclosure notices drop, Tucson ranks No. 5 nationally in home value losses**

Compared to the first quarter of the year, home prices in the Tucson region were down 0.4 percent in the second quarter. That decline ranks Tucson as having the fifth-highest loss of home values in the nation.

For the first half of the year, Tucson also had the nation's seventh-highest ratio of bank-owned homes due to foreclosure. Known as REO (real estate owned) saturation, 38.8 percent of homes with mortgages were owned by lenders as of July 1.  
*([www.insidetucsonbusiness.com](http://www.insidetucsonbusiness.com))*

**ADDITTIONAL COMMENTS MADE AT  
THE THIRD QUARTER  
SHAREHOLDERS MEETING AT UNC**

## **FOLLOWING ARE ADDITIONAL COMMENTS MADE AT A THIRD QUARTER SHAREHOLDERS MEETING AT UNC. (Cont.)**

**Brian Russo** - Ladenburg Thalmann

Brian Russo asked a question of Paul Boniva at the meeting, which concerned the newly elected commissioners.. "the potential turnover at the commission, with the elections, would that at all complicate a settlement opportunity if there was three new commissioners that would need to review this settlement but didn't have any prior experience with the case?"

### **OUR REBUTTAL ANALYSIS:**

That question certainly is prejudiced against new Commissioners having any knowledge to fairly judge the rate case, one would suppose in the favor of the company and not the public ratepayers?

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**(Continuing)**

**Paul Bonavia**

Paul Boniva, Chairman and CEO gave the answer to that question. "Yeah, hard to read that one, Brian, that gets pretty speculative. There's a school of thought that says, new commissioners are -- understand the process less and are maybe less inclined to buy into a settlement, but there's also a school of thought that says new commissioners are more inclined to rely on staff, and the staff gives them agreement and RUCO is in agreement it might make settlement easier. But we don't know, and no one will ever know the real answer to that question, but I think we're well prepared to enter into settlement discussions, with staff, RUCO and the other parties and forge ahead and -- we don't really look at the election is changing the course of action very much. Our job is to deal with whoever sits on that commission constructive and that's what we plan to do. If somehow those conversations point us toward a multi-year settlement with different variations on the theme, we're ready to have that conversation too but job one is to settle what's in this case and in this test year."

Mr. Boniva further stated that Arizona is a test case and said specially "So base line case on this one is because Arizona is a -- an historic test year state that will settle the case or resolve the case via commission order."

(Underlined meeting quotes were attribute the transcript to Seeking Alpha)

## **CONCLUSSION & REBUTTAL SUMMARY**

## CONCLUSSION & REBUTTAL SUMMARY

We (the undersigned) feel that the proposed settlement Rate increase of 9.0% is unreasonable for Tucson area public TEP ratepayers to support. The additional various TEP surcharges are also unreasonable and will have a severe impact on a large portion of Tucson Citizens. The local area is ranked among the poorest areas of the United States (a). state of the Tucson economy is growing, but very slowly(b).

As the facts are currently in place, we request rejection of the proposed 9.0% TEP rate request and ask that a more reasonable rate increase that reflects the areas ability to sustain such an increase be considered. We also request a "Grandfathering" of current rates for those TEP customers who have established rates for a minimum of three years or more with an option to move to any newer rates if they so choose.

*(a) WASHINGTON - Tucson was the sixth poorest of the nation's large metropolitan areas in 2011, with a poverty rate of 20.4 percent, according to new data from the Census Bureau.*

*(b) Marshall Vest, director of the University of Arizona's Economic and Business Research Center, described Tucson as having very slow economic growth, with a consistently high rate of poverty compared to the rest of the nation.*

Read more: <http://www.azcentral.com/news/articles/20120924tucson-poorest-region-cns.html#ixzz2lq61x3Gh>

SIGNATURE

PHONE NO.

DATE

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## CONCLUSION & REBUTTAL SUMMARY

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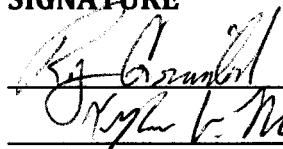
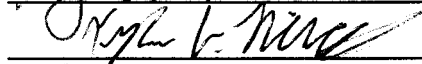
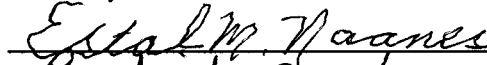
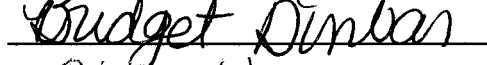

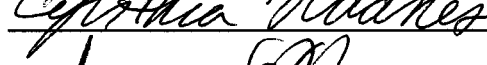

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Read more: <http://www.azcentral.com/news/articles/20120924tucson-poorest-region-cns.html#ixzz2lq61x3Gh>

### SIGNATURE

### PHONE NO.

### DATE

	520-468-9447	1-26-13
	(520) 982-0324	1/26/13
	(520) 297-4159	1-26-13
	520-576-4796	1-29-13
	520-886-2085	2-09-13
	520-846-5349	2-27-13
	520-638-6650	2-26-13

3

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**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

**Investigator:** Richard Martinez

**Phone:** (520) 628-6555

**Fax:** (520) 628-6559

**Priority:** Respond Within Five Days

**Opinion**      **No.** 2013 - 109218

**Date:** 3/8/2013

**Complaint Description:**      08A Rate Case Items - Opposed  
N/A Not Applicable

**Complaint By:**      **First:** PETITION      **Last:** PETITION

**Account Name:** PETITION PETITION

**Home:** (000) 000-0000

**Street:** NA

**Work:**

**City:** Tucson

**CBR:**

**State:** AZ      **Zip:** 00000

**is:**

**Utility Company:** Tucson Electric Power Company

**Division:** Electric

**Contact Name:** Cara Ruben

**Contact Phone:** (520) 884-3651

**Nature of Complaint:**

\*\*\*\*\* DOCKET NUMBER E-01933A-12-0291 \*\*\*\*\*  
\*\*\*\*\* PETITION \*\*\*\*\* PETITION \*\*\*\*\*  
\*\*\*\*\* TUCSON ELECTRIC POWER COMPANY \*\*\*\*\*

THE FOLLOWING 7 CUSTOMERS ARE OPPOSED TO THE RATE APPLICATION FOR TUCSON ELECTRIC POWER COMPANY - E-01933A-12-0291.

1. Ofelia Naanes
  2. Estal Naanes
  3. Bridget Dunbar
  4. George Naanes
  5. Cynthia Naanes
  6. Robynn Griswoll
  7. Tyler R. Nichols
- \*End of Complaint\*

**Utilities' Response:**

N/A

\*End of Response\*

**Investigator's Comments and Disposition:**

3/08

Original and 13 copies were mailed off to Docket Control located in Phoenix, AZ..

FILE CLOSED.

\*End of Comments\*